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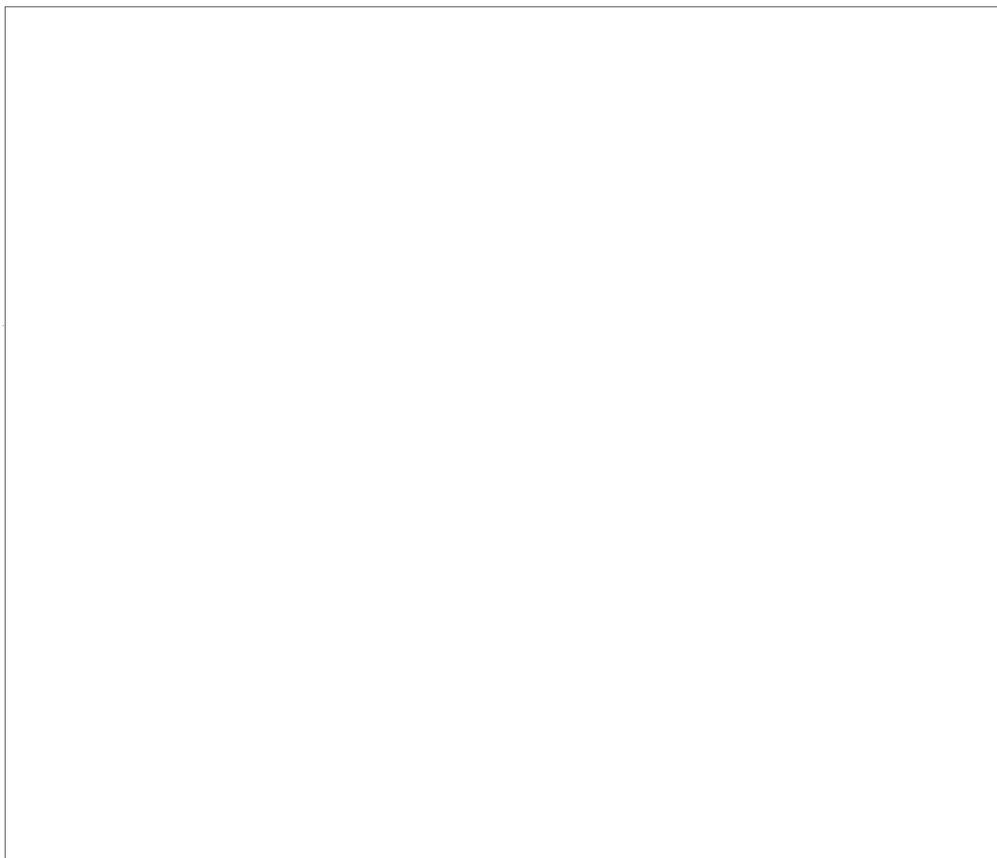
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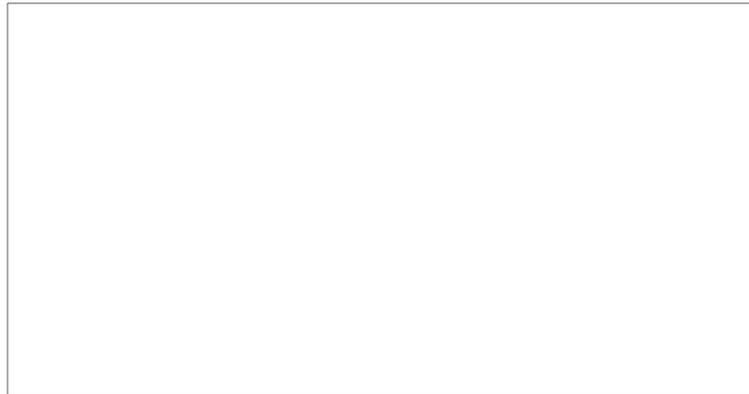
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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**



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1. THE SINO-SOVIET COMMUNIQUE

Comment on:



The Sino-Soviet communiqué of 18 January, signed by Bulganin and Chou En-lai, is largely devoted to a summary of international questions on which Moscow and Peiping are said to have "perfectly identical" views.

The communiqué states that the USSR and China "are prepared to continue to give necessary support" to Middle Eastern states against "aggression and interference." This is a noncommittal reply to the American offer of troops if a Middle East state should request them to oppose Communist aggression. An implication in the Sino-Soviet text that support will be given against aggression from any source is probably meant to please the Arabs, who have criticized American proposals as opposing only Communist aggression.

The principal significance of the communiqué lies in its reflection of the main lines of Sino-Soviet strategy to prevent a further deterioration in intra-Orbit relations. The statement emphasizes the need for bloc unity against the West, while asserting that past "mistakes" in relations among bloc members are being corrected.

The communiqué provides further evidence that Chou's mission in Moscow and Eastern Europe was that of a moderator, primarily between the Soviet Union and Poland. It reflects previous Chinese admonitions to the USSR to avoid "chauvinism" and to the Eastern European states to suppress "narrow nationalist feelings." It repeats the recent Chinese formula for "unity" to be achieved by genuine consultation among bloc states, and avoids the usual citation of the USSR as head of the bloc.

The Chinese had previously made clear that their support for Gomulka's freedom from Soviet control was

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contingent on his willingness to follow in general the Soviet model in his internal program and the Sino-Soviet line in foreign affairs. These conditions are glossed over in the current communiqué, as they were in the Sino-Polish communiqué of 16 January. The latest statement does include, however, an indirect warning that the Soviet Union and China would stand together in military action to prevent any Communist state--in Europe or Asia--from leaving the bloc.

2. **SUKARNO WARNED TO LIMIT COMMUNIST INFLUENCE
IN "REVOLUTIONARY COUNCIL"**

IX

Leaders of the Nahdlatul Ulama (NU),
the second largest party in the cabinet,
have rejected the idea of a "revolution-
ary council" with strong Communist

participation as outlined by President Sukarno, [redacted]

[redacted] They warned Sukarno that if
Communist influence becomes dominant in any future gov-
erning body for Indonesia, the NU will promote a "holy war"
against the Communists. At the same time they notified
him that the NU will withdraw from the Ali cabinet on or
about 21 January when parliament reconvenes. The PSII,
a minor Moslem party, also will withdraw.

[redacted] Sukarno hopes
to ditch the anti-Communist Masjumi party entirely and ac-
complish his personal ambitions through the National and
Communist parties and the NU. However, he has decided
to confer with former vice president Hatta, who is strongly
anti-Communist, and non-Communist parties apparently hope
Hatta can force Sukarno to compromise.

Comment

The NU's withdrawal from the cabinet
would bring about its collapse.

The army will probably join the non-
Communist parties in resisting Communist participation in
the council. In the face of Sukarno's insistence and con-
tinued government deterioration, however, most of these
elements are likely to agree to leftist "nonparty" partici-
pants who would be susceptible to Communist direction.

3. EGYPTIAN FOREIGN MINISTER EXPECTS CLASH OVER CANAL TOLLS

[REDACTED] Egyptian foreign minister Fawzi [REDACTED]

[REDACTED] expects a "showdown" with the West over the question of Suez Canal toll collection. Fawzi stated that the

US, Britain, and France "are preparing" to promote the idea that the United Nations, rather than Egypt, should collect the tolls, and that these countries will "let the whole world climb on our shoulders!"

[REDACTED]
"That is going to be a matter of conflict that we cannot sidetrack. Egypt will be the one to collect the dues, and the boat that is first to pay will be the first to go through. The ship that does not pay will not enter. That is the conclusion and we cannot retreat from it!"

Fawzi added he had received a telegram from Nasr on 15 January telling him "absolutely" not to initiate any action with regard to a solution of the canal matter. [REDACTED]

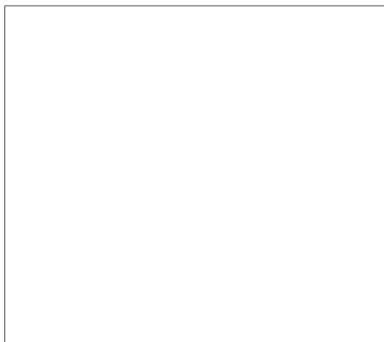
Comment

Lebanese foreign minister Malik said after his recent visit to Cairo that Nasr told him he had no intention of being dictated to by either the UN or the Western powers. Nasr added that if the UN did not approve of his method of operation of the canal and attempted economic sanctions, he would obtain financial support from the Soviet Union. He also said, according to Malik, that he would never permit the transit of Israeli vessels.

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4. THE POLISH ELECTION OUTLOOK

Comment on:



On the eve of the 20 January parliamentary elections, strong appeals by the Catholic hierarchy to support the regime-favored candidates may prove decisive for regime candidates in many areas. Gomulka's rapport with the Catholic Church has been one of his greatest political assets.

Last-minute reflection by voters that prudence dictates support for Gomulka may also counteract in part the vigorous campaign of Gomulka's opponents to sabotage the elections. An opinion poll taken by a regime-sponsored youth journal states that "over half" of those questioned said they would vote for the regime-supported candidates, while 30 percent intend to reject some regime candidates on their ballot.

Of the candidates, about 50 percent are members of the Communist Party, 25 percent are United Peasant Party members, 10 percent are Democratic Party members, and 15 percent are nonparty Catholics. Although collaborating with the National Front, the United Peasant Party has reportedly conducted a vigorous campaign in the countryside, and is expected to register gains over Communist candidates in rural areas.

Whatever the result, the composition of the new Sejm will be considerably different from that of the present parliament, since only about 10 percent of the candidates are now Sejm members. The number of top government and party officials who are candidates has been greatly reduced. For example, only half of the present council of ministers are candidates, whereas, in the last Sejm, all ministers ran and were elected.

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5. TENSION OVER THE KASHMIR ISSUE

Comment on:

[Redacted]

[Redacted]

Tension reportedly is building up in both India and Pakistan in anticipation of the discussion that will follow India's presentation of its case on Kashmir before the UN Security Council on 23 January. The Pakistani proposals presented on 16 January, which call for the introduction of a UN force into Kashmir and the implementation of the long-standing plebiscite agreement, are completely unacceptable to India.

Each country is charging the other with troop movements and aggressive intentions.

[Redacted]

[Redacted] anti-Indian feeling there is at such a pitch that hostilities might result if the UN does not prevent integration of Indian-held Kashmir into India on 26 January, India's Republic Day.

[Redacted]

[Redacted] While there is always a possibility of some tribal outbreaks, open warfare is not in the interest of either country and no significant troop movement has been confirmed. The Pakistani government, which strictly controls tribal elements, would almost certainly exert maximum efforts to prevent an uprising until all UN resources have been exhausted. [Redacted]

~~TOP SECRET~~**6. YEMEN TO RECEIVE SOME CZECH ARMS VIA EGYPT**Comment on:

[redacted] Czechoslovakia offered on 12 January to deliver "small arms and airplanes" ordered by Yemen to Egypt by the first of February if Yemen could transship them. The small arms presumably are rifles which Yemen has indicated it would airlift. The airplanes are two helicopters for the imam's personal use. [redacted]

[redacted] they will be operated by Soviet bloc personnel. The Yemeni minister in Cairo also informed the imam that delivery of "the heavy arms" would be resumed when the Suez Canal was reopened to traffic.

Soviet bloc military specialists are already engaged in training Yemeni personnel in the use of military equipment which arrived in Yemen in early October.

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7. RIGHTISTS POSE THREAT TO FRENCH REGIME

American officials in Paris believe that right-wing groups might attempt to overthrow the Fourth Republic if the Algerian situation "goes very sour."

General Charles de Gaulle is extremely active politically and there are indications he has even less concern for constitutional legality than heretofore. In a 10 January talk with Ambassador Dillon, he talked freely of a change toward an authoritarian non-Communist government. He appears to foresee financial difficulties rather than Algeria as provoking the end of the present regime.

If a really difficult crisis should arise, President Coty would call on De Gaulle to form a government, according to Coty's military adviser.

Comment

Speculation regarding De Gaulle's return has increased markedly during the last four months. De Gaulle is unlikely to be seriously considered unless France's internal situation becomes chaotic. The threat of violence by the more than 1,000,000 Europeans in Algeria, however, raises serious concern over the possible ramifications in Paris.

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8. JAPAN'S POLICY ON OKINAWA AND BONINS OUTLINED

[redacted] Foreign Minister Kishi informed the Japanese ambassador in Washington on 9 January that Japan regards the status of the Ryukyu and Bonin Islands as a matter to be dealt with by Japan and the United States rather than by the UN. Kishi said the legal position of the islands was unchanged by Japan's membership in the UN.

[redacted] if the matter were raised in the UN it would "uselessly antagonize" the United States and might be used as propaganda by the USSR. Kishi noted that the prospect is for the United States to continue its "strategic hold" on the islands "for the time being."

Kishi said the government can foresee an ever-increasing emotional appeal on the part of the Japanese people for the complete return of the islands. He added that the government intends to answer this appeal "by relying on the good faith of the United States and doing all we can to further a realistic settlement of the issue."

Comment

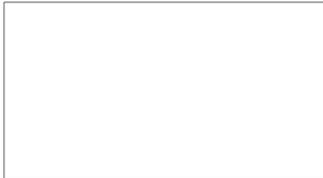
With the probability of general elections this year, the government feels constrained to take some action on this issue. Exploitation of the Okinawa land question by the Socialists helped them make gains in the upper house election in 1956 and they are continuing to make "Okinawa reversion" a paramount political issue. The government has already decided to make token compensation to Okinawans for use of land by American forces during the occupation period and probably will accept an American invitation to send a Diet delegation to Okinawa in the near future. [redacted]

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9. BURMESE-SOVIET ECONOMIC AID AGREEMENT

Comment on:



An economic agreement signed on 17 January in Rangoon completes the negotiations for Soviet construction and equipment as "gifts to the Burmese people" of a technological institute, a hospital, theater, hotel and a "cultural and sports center" which will include a stadium. The first Soviet offers were made during the Bulganin-Khrushchev visit to Rangoon in December 1955.

Moscow, according to a TASS dispatch, will provide engineers and technicians and also will bring Burmese to the Soviet Union for training on the projects, which are to be completed in 1963. In return, the agreement states, Burma "will present as a gift to the Soviet people a corresponding quantity of rice and other Burmese goods!"

Burma, which has had difficulty in procuring suitable imports from the Soviet Union, may use some of its current \$10,000,000 credit with the USSR to pay for this equipment and technical assistance. Reduction of credits in this manner may help dispel some of Burma's recent disillusionment with barter trade. The projects themselves are of a type most likely to make a favorable impression on the Burmese public.



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**CORRECTION TO ITEM 1, PAGE 3, OF CURRENT
INTELLIGENCE BULLETIN DATED 18 JANUARY 1957**

The first sentence of the comment should read: "While it would be in Egypt's interest to exaggerate what may have been a general and unspecific Soviet proposal, Moscow is likely to increase its economic aid to Egypt, which until now has been relatively small!"

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